



Credit Cards

Credit cards can be a convenient way to purchase goods and services without having to carry cash or write checks. You've probably received credit card offers in the mail. Most of them say that you've been "pre-approved" for the card and urge you to act quickly "before the offer expires."

Remember, a credit card is a form of borrowing that usually involves fees for the convenience of borrowing. So before you jump at an offer, make sure you understand the card's terms and compare costs of similar cards to get the features and terms with which you are comfortable.

Credit Card Terms

Credit card terms differ among card issuers, so shop around for the card that will best suit how you plan to use it. Consider the following:

Annual Percentage Rate (APR): This rate measures the cost of credit on an annual basis. Generally, the lower the APR, the less you'll be charged for credit. The APR includes the interest rate and other costs such as service or loan fees. If you expect to pay back less than the full amount you charge each month, you will have to pay finance charges on the unpaid balance. In this case, select a card with the lowest APR offered to you. But beware, some cards will offer a low initial APR that increases after a specific period of time. Read all the details and terms of the plan carefully.

Annual Fees: Many companies charge an annual fee, no matter how much or how little you use their credit card. Some cards have "no annual fee" offers. Again, read the terms of the card carefully. Some cards will not charge a fee in the first year, but may in subsequent years.

Grace Period: This "free" period allows you to avoid finance charges by paying your bills before the due date on each statement. If there is no grace period, finance charges start mounting the day you use the card. Cards with longer grace periods may save you money IF you pay them in full each month.

ALSO...Check for additional fees such as late payments or account overdraft fees which increase the cost of using your card.

Billing Errors and Unauthorized Charges

Billing errors can occur, but if you know how to use the Fair Credit Billing Act (FCBA), they are easy to resolve. To take full advantage of the law, write to the card issuer as soon as you learn of the error or unauthorized charge. Your letter must be received within 60 days after the issuer mailed you the bill containing the error. In your letter, include: your name; account number; date, type, and dollar amount of the disputed charge; and why you think there was a mistake. Send the letter to the special address for billing inquiries designated by the card issuer (it should be on your bill). To ensure that the card issuer receives the letter, you may want to send it certified mail. Do not put your letter in the same envelope as your payment.

If you follow these requirements, the creditor must:

- acknowledge your letter in writing within 30 days after it is received; and
- conduct a reasonable investigation and within 90 days either explain why the bill is correct or fix the error.

If the creditor claims the bill is correct and you ask for "proof" in your letter, the card issuer must provide documentation.

Note: Many consumers forfeit their rights under this Act because they rely on calling the company to correct a billing problem. You can call, but only putting your dispute in writing will trigger the legal safeguards provided under the FCBA.

Under federal law, if your credit card is used without your authorization, you can be held liable for up to \$50 per card. If you report a card stolen before it is used, the card issuer cannot hold you responsible for any unauthorized charges. If a thief uses your card before you report it lost or stolen, the most you will owe for unauthorized charges is \$50.

Other Credit Suggestions

- Understand all of the terms of a credit card plan before you accept the card.
- Review disclosures of terms and fees that must appear on credit card offers you receive in the mail.
- Pay bills promptly to keep finance charges as low as possible.
- Keep copies of sales slips and promptly compare charges when your bills arrive.
- Protect your credit cards and numbers to prevent unauthorized use. Draw a line through blank spaces above the total when you sign receipts. Destroy or retain any carbons.
- Keep a list of your credit card numbers and the telephone numbers of each card issuer in a safe place in case your cards are lost or stolen.

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